Second Quarter **2018**

Results

wsib ONTARIO

Here to help

When an injury or illness happens on the job, we move quickly to provide wage-loss benefits, medical coverage and help getting back to work.

We cover over five million people in more than 300,000 workplaces across Ontario. We are committed to meeting, and exceeding, the needs of those injured at work and employers by adhering to fairness, integrity and professionalism in all we do.

Commitment to accountability

We're funded by premiums paid by businesses across the province. We closely monitor and report on our operating results and financial position to be transparent with those we serve. We hope this report provides you with a clear picture of how we are doing.

Contact us

If you have questions about our results you can contact us at **communications@wsib.on.ca**.

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Q2 results

Our Q2 results show our continued commitment to making Ontario the safest and healthiest place to work.

Highlights this quarter

The following section includes a combination of noteworthy items from the management's discussion and analysis (MD&A), the unaudited condensed interim consolidated financial statements and other announcements.

Higher claim volumes | Registered and lost-time claim volumes have continued to increase in Q2 2018. Year-to-date for Schedule 1 businesses, they are 6% and 16% higher, respectively, than in 2017. For Schedule 2 employers, registered claim volumes have increased 13% while lost-time claim volumes are up 21%.

Timely decision making | Despite receiving more claims than in 2017, we still exceeded our target for producing timely eligibility decisions. Ninety-three per cent of eligibility decisions were made within two weeks during Q2 2018, above the 90% target.

This quarter, the timeliness of appeals decisions was also above target, with 91% of appeals resolved within six months, surpassing the 85% target.

Continued trend of increased durations | We have recently made enhancements to our return-to-work program, in part to address increasing claim durations – the amount of time a person continues to require benefits. This includes an improved allocation process to speed response times and focus specialized services on our most serious claims. Continuing a multi-year trend, short and medium-term claim durations were up again in Q2 2018. For instance, three-month duration has risen from 12.4% in Q2 2017 to 13.2%, and 12-month duration is now at 5.7% compared to 4.6% last year.

We have seen continued improvement in long-term duration; 2.0% of claims still required benefits at 72 months, less than the 2.1% reported in Q2 2017.

Fewer permanent impairments | In Q2 2018, fewer claims experienced permanent impairments than in any quarter in at least the past eight years[1]. Instances of permanent impairment were present in 5.2% of claims in Q2 2018 compared to 5.7% of claims in Q2 2017.

More successful return-to-work plans | We have made changes to our return-to-work program to provide people with the best possible service. Recent improvements include more customized services and the introduction of the Career Ready Fund – which you can read about in the 'New developments' section on page 7. In Q2 2018, more people who were injured at work were able to find employment after completing a WSIB return-to-work plan. Of those who completed a plan so far in 2018, 91% were able to find work, a 2% improvement from the same period last year.

[1] In Q3 2014, there was an identical percentage of permanent impairments, 5.2%.

Strong funding position | For the first time in recorded history, we have reached a funded position over 100% on a Sufficiency Ratio basis. With consideration of the payments and costs outlined above, and in the following MD&A, as at June 30, 2018 our net assets on a Sufficiency Ratio basis were $0.7 billion, an increase of $2.0 billion from an unfunded liability of $1.3 billion as at December 31, 2017. This corresponds to a Sufficiency Ratio of 102.0%, compared to 95.8% at year-end 2017.

Increased claim payments | Our claim payments increased $35 million or 6.0% compared to Q2 2017 as a result of higher loss of earnings (LOE) payments, which increased due to higher durations affecting current and prior injury year claims, and a higher volume of current injury year claims.

Premium rate reduction | Net premiums increased $29 million or 2.3% compared to Q2 2017 despite a 3.3% reduction to the average premium rate. This is because there was strong insurable earnings growth primarily in the construction, healthcare, manufacturing, services and transportation industries.

Investment returns | Our investment portfolio returned 1.6% during the quarter, compared to 1.5% in the same quarter last year. Portfolio returns in the second quarter were driven by strong outcomes from public equities, real estate and infrastructure, and modest returns from fixed income, absolute return and diversified markets. Long-term investment returns (10-year (+6.8%) and 15-year (+7.3%)) remain above the long-term target of 3.5% to 6.5%.

Fewer CMS claims than expected | Starting on January 1, 2018, we began providing support and compensation for those who experience work-related Chronic Mental Stress (CMS). These new benefits are now being provided due to legislation passed by the Government of Ontario in May and December 2017. The legislation also included a provision for retroactive claims from prior years. Because we received significantly fewer retroactive CMS claims than expected, there was a one-time adjustment of $540 million to the benefit liabilities. Further discussion can be found on page 17 of the MD&A.

Increased administration costs | Administration and other expenses, before allocation to claim costs, increased $15 million or 7.4%, compared to Q2 2017, reflecting $7 million of higher system development and integration expenses, $6 million of higher employee benefit plans expenses and $2 million of higher other operating expenses.

New developments

Experiential learning opportunities to support return-to-work | We have partnered with Georgian College and Mohawk College to help people with workplace injuries unable to return to their pre-injury positions gain hands-on work experience in new roles. These experiential learning opportunities can include participation in real work projects, work trials or short-term placements, volunteer work, job shadows, informational interviews, and career mentoring. The program, known as the Career Ready Fund, is designed to help people build their resumés and employer networks in preparation for their transition back into the workforce.

By the Numbers statistical report released | We released the latest version of our annual online statistical report, By the Numbers. The detailed report, which includes 10 years' worth of data, highlights health and safety trends in Ontario, including injuries, fatalities and return-to-work results. Visitors can customize results using our report builder tool to find specific information that matches their needs.

New Drug Advisory Committee formed | Following an open application process, we finalized and announced the members of our new Drug Advisory Committee. The members represent a diverse range of disciplines and expertise including medicine, pharmacy, epidemiology and pharmacoeconomics. The Committee provides evidence-based recommendations regarding which drugs should be included in the WSIB's Drug Benefit Plan. Members also advise us on drug use and safety and medical criteria for drug coverage.

Rate Framework policies published | During Q2 2018, we released a set of six new policies related to how employers will be classified and how premium rates will be charged. The policies will come into effect as part of the rate framework that launches on January 1, 2020. The policies follow, and reflect, the latest round of stakeholder consultations that were held from August 2017 to January 2018. The policies have been released well in advance of their implementation to give employers time to review and plan for the changes involved.

Digging deeper

Eliminating the Unfunded Liability in record time

After reaching a high of $14.2 billion in 2011, **we have now eliminated our Unfunded Liability** (UFL) almost 10 years ahead of the legislated deadline of December 31, 2027.

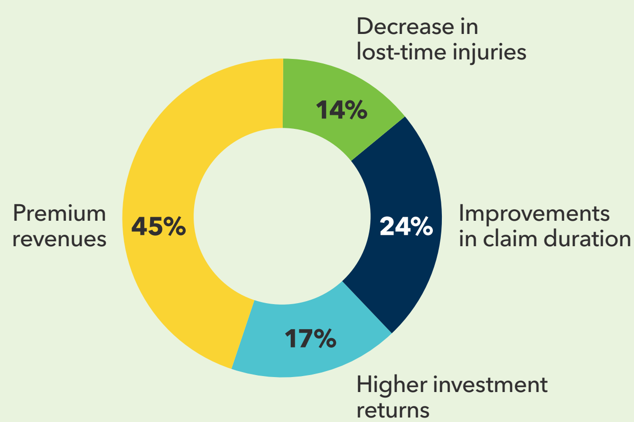
The UFL was the shortage between the money needed to pay future benefits to people injured at work for all established claims, and the money that was in the insurance fund. Now that it has been retired, we are reporting a slight reserve ($653 million on a Sufficiency Ratio basis) and a Sufficiency Ratio over 100%. This financial position was achieved even though we reduced the average premium rate paid by employers twice in the past two years. Benefits for people with workplace injuries and illnesses have also increased (e.g. CMS and presumptive post-traumatic stress disorder benefits).

We have achieved this historic milestone in partnership with businesses across the province through the component of premiums collected to help eliminate the UFL (the 'past claims cost' (PCC)) and through our ongoing positive investment and operational performance. As of June 30, 2018, our Sufficiency Ratio was 102.0%.

Now that the UFL is gone, we plan to phase out the PCC over the next two years, which will lead to considerable reductions in the average premium rate. In addition, our focus will be on transitioning to the new rate framework and adjusting premium rates to ensure businesses are paying rates that are more reflective of their experience. As we move forward, we must be prepared to withstand possible future negative economic conditions to ensure that our insurance fund remains greater than 100% funded.

Looking ahead, our [2019-2021 Strategic Plan] sets out our vision to make Ontario the safest and healthiest place to work. A key facet of the plan includes maintaining strong financial health to guarantee a secure future for the people we serve. That responsibility is about ensuring stability for businesses through future economic volatility and providing our services in a financially responsible and accountable way.

Four key drivers that contributed to eliminating the UFL



The financials

The following pages provide a closer look at our Q2 financial results.

Management's discussion and analysis

The following Management's Discussion and Analysis ("MD&A") and accompanying unaudited condensed interim consolidated financial statements, as approved by the Board of Directors of the Workplace Safety and Insurance Board, are prepared by management as at and for the three months and six months ended June 30, 2018.

It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the WSIB as at and for the three months and six months ended June 30, 2018, and the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2017.

The accompanying unaudited condensed interim consolidated financial statements as at and for the three months and six months ended June 30, 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS").

In this MD&A, "WSIB," or the words "our," "us" or "we" refer to the Workplace Safety and Insurance Board (the "WSIB"). All amounts herein are denominated in millions of Canadian dollars, unless otherwise stated.

Forward-looking statements contained in this document represent management's expectations, estimates and projections regarding future events based on information currently available, and involve assumptions, judgments, inherent risks and uncertainties. Readers are cautioned that these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking statements. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date of this report and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

Thomas Teahen
President & CEO

Pamela Steer
Chief Financial Officer

1. Financial analysis

Financial results

(millions of Canadian dollars)	Three months ended June 30 2018	Three months ended June 30 2017[1]	Six months ended June 30 2018	Six months ended June 30 2017[1]
Revenues				
Net premiums	1,305	1,276	2,518	2,394
Net investment income	480	403	494	1,297
	1,785	**1,679**	**3,012**	**3,691**
Expenses				
Total claim costs	321	659	1,084	1,466
Loss of Retirement Income Fund contributions	15	14	29	28
Administration and other expenses	113	103	223	197
Legislated obligations and funding commitments	64	67	134	134
	513	**843**	**1,470**	**1,825**
Excess of revenues over expenses	**1,272**	**836**	**1,542**	**1,866**
Total other comprehensive income (loss)	100	(243)	223	(316)
Total comprehensive income	**1,372**	**593**	**1,765**	**1,550**
Other measures				
Core Earnings[2]	378	398	666	644
Return on investments[3]	1.6%	1.5%	1.9%	4.9%

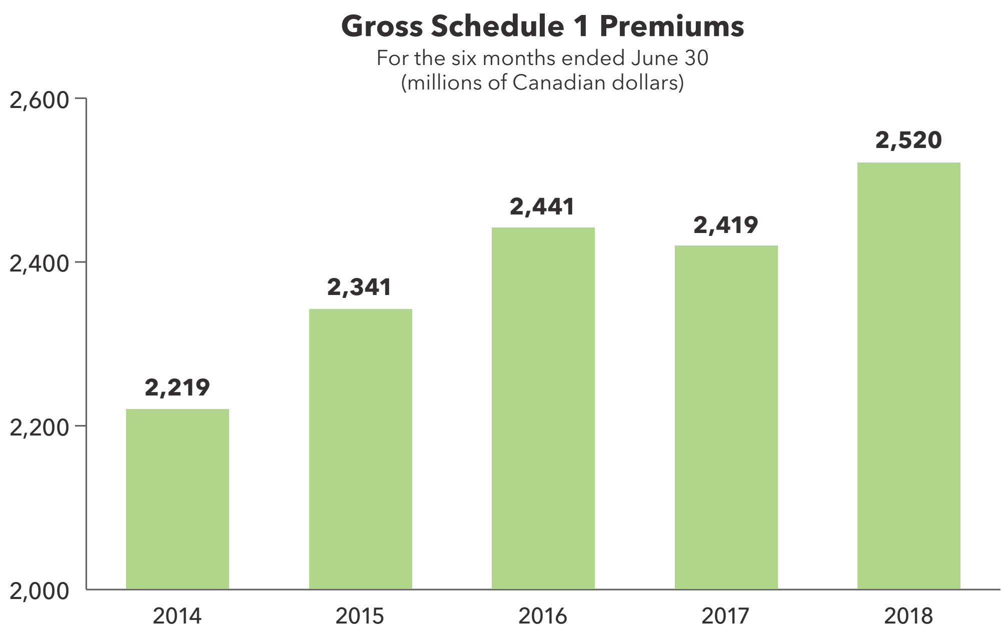
	Jun. 30 2018	Dec. 31 2017
Net assets (unfunded liability)[4,5]	1,000	(710)
Net assets (unfunded liability) – Sufficiency Ratio basis[5]	653	(1,349)
Sufficiency Ratio[5]	102.0%	95.8%

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Core Earnings is calculated as total comprehensive income, excluding the impacts of investment related items, changes in actuarial valuations and any items that are considered as material and exceptional in nature. See Section 8 – Non-IFRS financial measure for further details.
3. Return on investments is the investment income (loss), net of transaction costs and withholding taxes, generated over a given period of time as a percentage of the capital invested taking into account capital contributions and withdrawals.
4. Net assets (unfunded liability) represent the net assets (deficiency of net assets) attributable to WSIB stakeholders as at the end of the reporting period. The total net assets of $4,272 million as at June 30, 2018 (December 31, 2017 – $2,518 million) are allocated between the WSIB stakeholders and the non-controlling interests ("NCI") on the basis of their proportionate interests in the net assets of the WSIB. NCI represent the proportionate interest of the net assets and total comprehensive income of subsidiaries in which the WSIB directly or indirectly owns less than 100% interest. NCI of $3,272 million as at June 30, 2018 (December 31, 2017 – $3,228 million) exclude benefit liabilities since the holders of NCI, the WSIB Employees' Pension Plan and other investors, are not liable for those obligations. The proportionate share of the net assets attributable to WSIB stakeholders as at June 30, 2018 was $1,000 million (December 31, 2017 – deficiency of assets of $710 million) which includes benefit liabilities. Refer to the unaudited condensed interim consolidated statements of financial position for further details.
5. Refer to Section 4 – Reconciliation of the net assets (unfunded liability) on a Sufficiency Ratio basis for further details.

Net premiums

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	2018	2017	$	%	2018	2017	$	%
Gross Schedule 1 premiums	1,296	1,287	9	0.7	2,520	2,419	101	4.2
Bad debts	(14)	(10)	(4)	(40.0)	(27)	(17)	(10)	(58.8)
Interest and penalties	21	19	2	10.5	36	33	3	9.1
Other income	1	-	1	-	2	-	2	-
Schedule 1 employer premiums	**1,304**	**1,296**	**8**	**0.6**	**2,531**	**2,435**	**96**	**3.9**
Schedule 2 employer administration fees	25	24	1	4.2	48	47	1	2.1
Premiums	**1,329**	**1,320**	**9**	**0.7**	**2,579**	**2,482**	**97**	**3.9**
Net mandatory employer incentive programs	(24)	(44)	20	45.5	(61)	(88)	27	30.7
Net premiums	**1,305**	**1,276**	**29**	**2.3**	**2,518**	**2,394**	**124**	**5.2**

This is the second year that we are providing a reduction to the average premium rate. For 2018, we announced a reduction of 3.3% to the average premium rate. Even with this rate reduction, gross Schedule 1 premiums for the three months and six months ended June 30, 2018 increased 0.7% and 4.2%, respectively, reflecting strong insurable earnings growth in construction, healthcare, manufacturing, services and transportation industries which were impacted by the increase in minimum wage.



Net investment income

Investment strategy	Three months ended June 30							
	2018				2017[1]			
(millions of Canadian dollars)	Investment income (loss)	Return %[2]	Net asset value[3]	%	Investment income (loss)	Return %[2]	Net asset value[3]	%
Public equities	336	2.7	12,809	36.4	227	1.9	11,714	37.2
Fixed income	26	0.4	6,848	19.5	18	0.3	6,023	19.2
Absolute return	(8)	0.1	3,635	10.3	14	(0.1)	3,451	11.0
Diversified markets	44	1.0	4,453	12.7	47	1.4	3,888	12.4
Real estate	67	1.9	3,906	11.1	27	0.9	3,494	11.1
Infrastructure	63	1.4	2,932	8.3	112	5.7	2,249	7.2
Cash and cash equivalents	4	-	545	1.5	1	-	542	1.7
Other	-	-	66	0.2	-	-	69	0.2
Investment income	**532**	**1.6**	**35,194**	**100.0**	**446**	**1.5**	**31,430**	**100.0**
Investment expenses	(52)				(43)			
Net investment income	**480**				**403**			

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
3. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

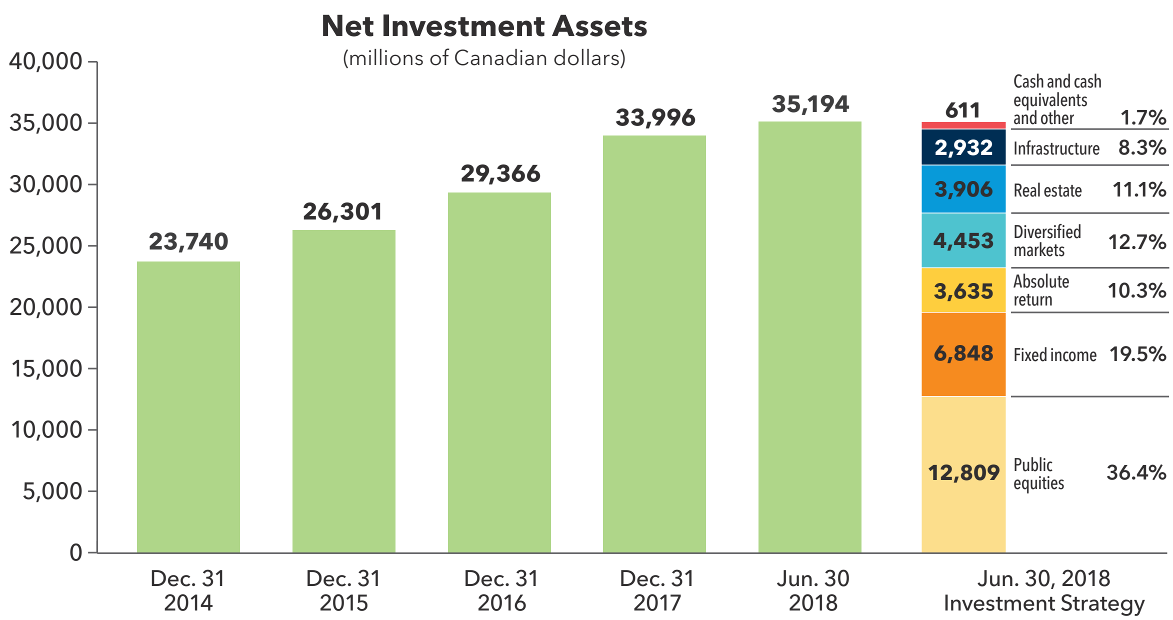
For the three months ended June 30, 2018, net investment income was $480 million. This represents a 1.6% gross return compared to a 1.5% gross return in the same period last year. The period-over-period increase of $77 million in net investment income is primarily due to higher returns in public equities and real estate partially offset by lower returns in absolute return and infrastructure. We caution readers that current investment returns are not a reflection of expected future performance and caution should be exercised in projecting investment income results into the future based on our current results.

Investment strategy	Six months ended June 30							
	2018				2017[1]			
(millions of Canadian dollars)	Investment income (loss)	Return %[2]	Net asset value[3]	%	Investment income (loss)	Return %[2]	Net asset value[3]	%
Public equities	457	3.6	12,809	36.4	842	7.7	11,714	37.2
Fixed income	37	0.5	6,848	19.5	59	1.2	6,023	19.2
Absolute return	(50)	(0.5)	3,635	10.3	69	1.7	3,451	11.0
Diversified markets	(56)	(1.4)	4,453	12.7	165	5.2	3,888	12.4
Real estate	134	4.0	3,906	11.1	79	2.8	3,494	11.1
Infrastructure	72	2.9	2,932	8.3	169	9.0	2,249	7.2
Cash and cash equivalents	6	-	545	1.5	2	-	542	1.7
Other	-	-	66	0.2	-	-	69	0.2
Investment income	**600**	**1.9**	**35,194**	**100.0**	**1,385**	**4.9**	**31,430**	**100.0**
Investment expenses	(106)				(88)			
Net investment income	**494**				**1,297**			

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Return percentages are based on investment income prior to adjustments such as translation gains and losses on net foreign investments.
3. Total net asset value includes investment cash, investment receivables and payables, and investment derivatives within investment strategies.

For the six months ended June 30, 2018, net investment income was $494 million. This represents a 1.9% gross return compared to a 4.9% gross return in the same period last year. The period-over-period decrease of $803 million in net investment income reflects a lower return from all strategies except real estate which showed a moderate increase.

During the six months ended June 30, 2018, net investment assets increased $1,198 million to $35,194 million. This was comprised largely of transfers generated from operating activities of $600 million and investment income before investment expenses of $600 million (1.9% gross return).



Total claim costs

Total claim costs consist of:

- claim payments to or on behalf of people with work-related injuries or illnesses;
- claim administration costs, which represent an estimate of our administration costs necessary to support benefit programs; and
- the change in the actuarial valuation of our benefit liabilities, which represents an adjustment to the actuarially determined estimates for future claim costs existing at the dates of the unaudited condensed interim consolidated statements of financial position.

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Claim payments	622	587	35	6.0	1,241	1,182	59	5.0
Claim administration costs	113	107	6	5.6	225	209	16	7.7
Change in actuarial valuation of benefit liabilities	(414)	(35)	(379)	(100+)	(382)	75	(457)	(100+)
Total claim costs	**321**	**659**	**(338)**	**(51.3)**	**1,084**	**1,466**	**(382)**	**(26.1)**

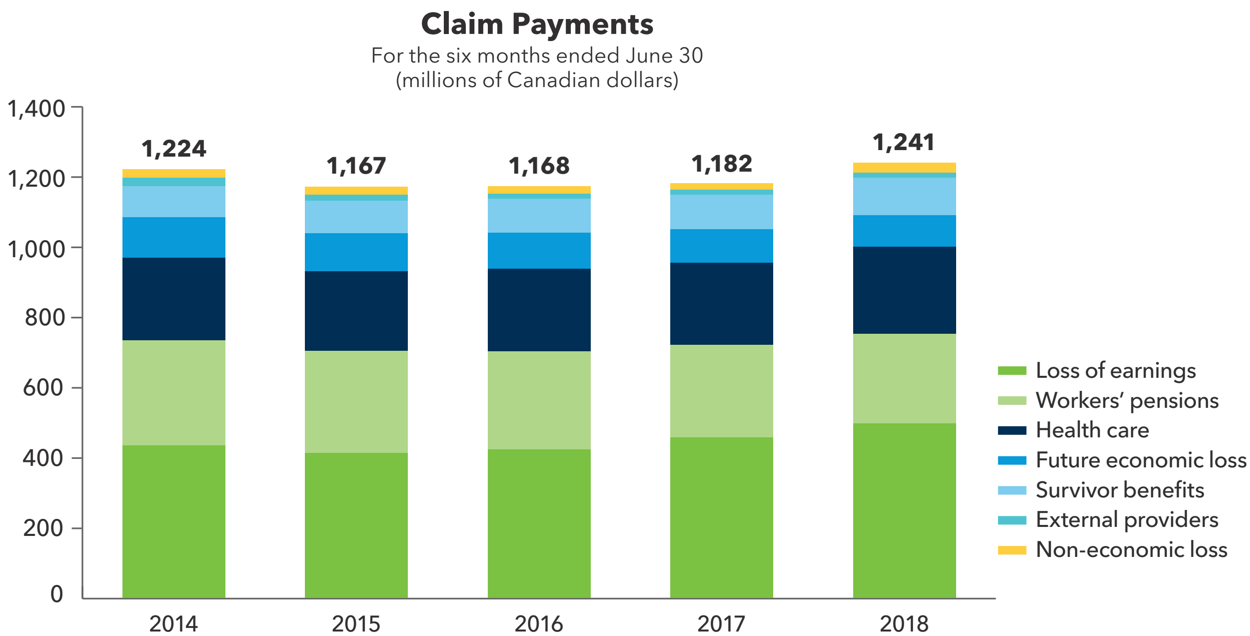
Claim payments	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017[1]**	**$**	**%**	**2018**	**2017[1]**	**$**	**%**
Loss of earnings	254	232	22	9.5	496	457	39	8.5
Workers' pensions	126	130	(4)	(3.1)	258	266	(8)	(3.0)
Health care	119	111	8	7.2	247	233	14	6.0
Future economic loss	46	48	(2)	(4.2)	91	95	(4)	(4.2)
Survivor benefits	54	49	5	10.2	106	99	7	7.1
External providers	7	6	1	16.7	14	13	1	7.7
Non-economic loss	16	11	5	45.5	29	19	10	52.6
Total claim payments	**622**	**587**	**35**	**6.0**	**1,241**	**1,182**	**59**	**5.0**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

A summary of significant changes in claim payments for the three months and six months ended June 30, 2018 is as follows:

- Loss of earnings benefits were $22 million and $39 million higher, respectively, due to higher durations affecting current and prior injury year claims in addition to higher volume of current injury year claims.
- Workers' pensions were $4 million and $8 million lower, respectively, compared to last year driven by natural reduction in claim inventory.
- Health care payments were $8 million and $14 million higher, respectively, due to higher costs per claim for health services.

- Future economic loss expenses were $2 million and $4 million lower, respectively, compared to last year driven by natural reduction in claim inventory.
- Non-economic loss ("NEL") expenses were $5 million and $10 million higher, respectively, due to higher incidence of NEL re-determinations as a result of reconsiderations under a claim review initiative.



Claim administration costs

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Allocation from administration and other expenses	105	100	5	5.0	211	197	14	7.1
Allocation from legislated obligations and funding commitments expenses	8	7	1	14.3	14	12	2	16.7
Total claim administration costs	**113**	**107**	**6**	**5.6**	**225**	**209**	**16**	**7.7**

Claim administration costs reflect the portions of administration and other expenses and legislated obligations and funding commitments expenses allocated to claim costs. For the three months and six months ended June 30, 2018, the change was attributed to higher administration and other expenses.

Change in actuarial valuation of benefit liabilities

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2018**	**2017**	**2018**	**2017**
Change in actuarial valuation of benefit liabilities	(414)	(35)	(382)	75

For the six months ended June 30, 2018, the change in actuarial valuation of benefit liabilities is detailed as follows:

(millions of Canadian dollars)	
Benefit liabilities as at December 31, 2017	28,290
Payments made in 2018 for prior injury years	(1,346)
Interest accretion[1]	621
Liabilities incurred for the 2018 injury year	896
One-time experience gain related to retroactive CMS claims[2]	(540)
Other experience gains	(25)
Impact of legislative amendment	12
Benefit liabilities as at June 30, 2018	**27,908**
Change in actuarial valuation of benefit liabilities	**(382)**

1. Accretion represents the estimated interest cost of the benefit liabilities, considering the discount rate, benefit liabilities at the beginning of the period and payments made during the period.
2. On December 14, 2017, passage of Bill 177 titled *Stronger, Fairer Ontario Act (Budget Measures), 2017* amended section 13 of the *Workplace Safety and Insurance Act, 1997* (Ontario) to provide CMS benefits for diagnoses on or after April 29, 2014. The legislated retroactive claims deadline was June 30, 2018. Because retroactive claims submitted and accepted, up to this date, were significantly lower than expected, WSIB no longer holds a liability in respect of CMS claims for prior injury year. A one-time experience gain of $540 million is thus recognized at June 30, 2018.

Administration and other expenses

	Three months ended June 30				Six months ended June 30			
			Change				Change	
(millions of Canadian dollars)	**2018**	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Salaries and short-term benefits	110	112	(2)	(1.8)	226	219	7	3.2
Employee benefit plans	47	41	6	14.6	96	82	14	17.1
Depreciation and amortization	10	7	3	42.9	20	12	8	66.7
Other	51	43	8	18.6	92	81	11	13.6
	218	**203**	**15**	**7.4**	**434**	**394**	**40**	**10.2**
Claim administration costs allocated to claim costs	(105)	(100)	(5)	(5.0)	(211)	(197)	(14)	(7.1)
Total administration and other expenses	**113**	**103**	**10**	**9.7**	**223**	**197**	**26**	**13.2**

For the three months ended June 30, 2018, administration and other expenses, before allocation to claim costs, is as follows:

- Employee benefit plans increased $6 million reflecting a 45 basis point decrease in the discount rate used to value our pension obligations.
- Other operating expenses increased $8 million reflecting new initiatives as part of our transformational efforts.

For the six months ended June 30, 2018, administration and other expenses, before allocation to claim costs, is as follows:

- Salaries and short-term benefits increased $7 million reflecting higher staffing levels as additional staff were hired to support CMS legislation and increases due to inflationary pressures.
- Employee benefit plans increased $14 million reflecting a 45 basis point decrease in the discount rate used to value our pension obligations.
- Depreciation and amortization increased $8 million as the new claims and accounts management systems became operational.
- Other operating expenses increased $11 million reflecting new initiatives as part of our transformational efforts.

Legislated obligations and funding commitments expenses

(millions of Canadian dollars)	Three months ended June 30				Six months ended June 30			
			Change				Change	
	2018	**2017**	**$**	**%**	**2018**	**2017**	**$**	**%**
Legislated obligations								
Occupational Health and Safety Act	23	24	(1)	(4.2)	52	49	3	6.1
Ministry of Labour Prevention Costs	26	27	(1)	(3.7)	55	54	1	1.9
	49	51	(2)	(3.9)	107	103	4	3.9
Workplace Safety and Insurance Appeals Tribunal	9	8	1	12.5	15	13	2	15.4
Workplace Safety and Insurance Advisory Program	4	3	1	33.3	8	8	-	-
Total legislated obligations	**62**	**62**	**-**	**-**	**130**	**124**	**6**	**4.8**
Funding commitments								
Grants	-	1	(1)	(100.0)	1	1	-	-
Safety program rebates	10	11	(1)	(9.1)	17	21	(4)	(19.0)
Total funding commitments	**10**	**12**	**(2)**	**(16.7)**	**18**	**22**	**(4)**	**(18.2)**
	72	**74**	**(2)**	**(2.7)**	**148**	**146**	**2**	**1.4**
Claim administration costs allocated to claim costs	(8)	(7)	(1)	(14.3)	(14)	(12)	(2)	(16.7)
Total legislated obligations and funding commitments	**64**	**67**	**(3)**	**(4.5)**	**134**	**134**	**-**	**-**

For the three months ended June 30, 2018, legislated obligations and funding commitments expenses, before allocation to claim costs decreased by $2 million or 2.7% primarily reflecting lower safety program rebates due to a decrease in participation in the program.

For the six months ended June 30, 2018, legislated obligations and funding commitments expenses, before allocation to claim costs increased by $2 million or 1.4% primarily reflecting higher costs by the Ministry of Labour to administer and enforce the *Occupational Health and Safety Act*.

2. Changes in financial position

This section discusses the significant changes in our June 30, 2018 unaudited condensed interim consolidated statements of financial position compared to year-end 2017.

(millions of Canadian dollars)	Jun. 30 2018	Dec. 31 2017	Change $	Change %	Commentary
Assets					
Cash and cash equivalents	2,156	2,586	(430)	(16.6)	Decrease reflects a reduction in cash collateral used to support our derivative positions and a reduction in money market investments combined with improved efforts to direct resources to investment return generating initiatives.
Receivables and other assets	1,626	1,387	239	17.2	Increase primarily reflects higher surcharges on employer incentive programs, higher investment receivables and higher accrued premium receivables, partially offset by a decrease in premium receivables.
Public equity securities	13,282	13,414	(132)	(1.0)	
Fixed income securities	7,677	6,800	877	12.9	
Derivative assets	117	342	(225)	(65.8)	Net increase reflects the performance of these assets, cash contribution from operating activities in the quarter and redeployment of cash from money market investments.
Investment properties	1,393	1,340	53	4.0	
Investments in associates and joint ventures	1,775	1,641	134	8.2	
Other invested assets	8,708	7,910	798	10.1	
Property, equipment and intangible assets	292	302	(10)	(3.3)	Decrease primarily reflects depreciation related to the accounts and claims management systems.
Liabilities					
Payables and other liabilities	1,213	1,185	28	2.4	Increase primarily reflects higher investment payables and higher administration expenses payable, offset by lower experience rating refunds payable.
Derivative liabilities	110	88	22	25.0	Increase reflects changes in our currency and future positions within the investment portfolio.
Long-term debt	115	115	-	-	No significant changes.
Loss of Retirement Income Fund liability	1,929	1,915	14	0.7	Increase largely reflects income earned on contributions offset by net contributions and withdrawals from the Fund.
Employee benefit plans liability	1,479	1,611	(132)	(8.2)	Decrease reflects an increase in the discount rate used for valuation.
Benefit liabilities	27,908	28,290	(382)	(1.4)	Decrease primarily due to the release of the retroactive provision for CMS benefits and lower benefit liabilities for new injury year.
Net assets (unfunded liability)	1,000	(710)	1,710	100+	Changes reflect total comprehensive income attributable to WSIB stakeholders.
Net assets (unfunded liability) – Sufficiency Ratio basis	653	(1,349)	2,002	100+	Strengthening due to continued strong operating results and the release of the retroactive provision for CMS benefits.
Sufficiency Ratio	102.0%	95.8%		6.2%	

3. Liquidity and capital resources

(millions of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2018	**2017**	**2018**	**2017**
Cash and cash equivalents, beginning of period	2,078	1,840	2,586	2,496
Cash provided by operating activities	374	361	503	535
Cash provided (required) by investing activities	(269)	258	(901)	(611)
Cash provided (required) by financing activities	(27)	(37)	(32)	2
Cash and cash equivalents, end of period	**2,156**	**2,422**	**2,156**	**2,422**

A summary of the significant changes in cash and cash equivalents for the three months ended June 30, 2018 is as follows:

- Cash provided by operating activities was $374 million compared to $361 million in 2017 reflecting an increase in cash from higher amounts collected on receivables (excluding investments), partially offset by an increase in amounts paid on payables.
- Cash required by investing activities was $269 million compared to cash provided by investing activities of $258 million in 2017 primarily reflecting better deal flow in real estate and infrastructure investments offset by the increase of dividend and interest income.
- Cash required by financing activities was $27 million compared to $37 million in 2017. The reduction in cash required for financing activities is mainly due to proceeds on the disposition of non-controlling interests in the period compared to cash paid on acquisitions in the prior period and smaller distributions paid by subsidiaries to non-controlling interests, offset by the repayment of a demand loan held by a subsidiary.

A summary of the significant changes in cash and cash equivalents for the six months ended June 30, 2018 is as follows:

- Cash provided by operating activities was $503 million compared to $535 million in 2017 reflecting a decrease in cash from lower amounts collected on receivables (excluding investments), partially offset by a decrease in amounts paid on payables.
- Cash required by investing activities was $901 million compared to $611 million in 2017. In 2017, there was a single significant real estate investment. In 2018, there were several smaller opportunities in both real estate and infrastructure investments combined with drawdowns on investment fund commitments.
- Cash required by financing activities was $32 million compared to cash provided by financing activities of $2 million in 2017. The increase in cash required for financing activities is mainly due to a reduction in proceeds on the disposition of non-controlling interests in the period and smaller distributions paid by subsidiaries to non-controlling interests, offset by the repayment of demand loans held by subsidiaries.

Credit facilities

There were no significant changes during the quarter.

Commitments

Outstanding commitments declined $121 million this quarter, due to accelerated drawn downs primarily by infrastructure investment funds.

4. Reconciliation of the net assets (unfunded liability) on a Sufficiency Ratio basis

The Sufficiency Ratio is calculated by comparing total assets to total liabilities, with certain assets and liabilities measured on a different basis than that required under IFRS. For the purpose of the Sufficiency Ratio calculation, the amounts of total assets, as presented on the unaudited condensed interim consolidated statements of financial position, are adjusted to reflect measurement on a going concern basis.

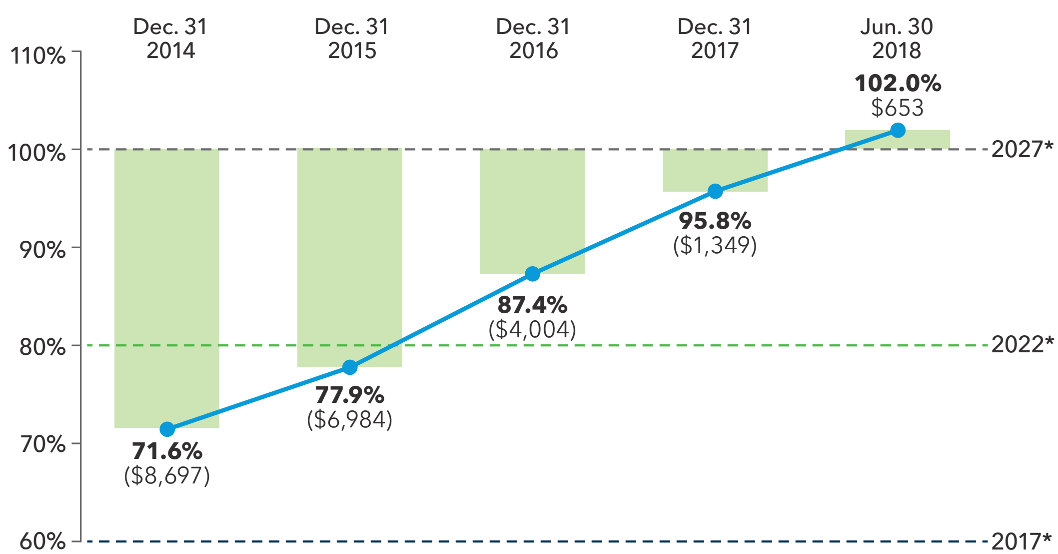
The investment portfolio is valued at fair value adjusted by investment gains and losses deviating from the net investment return objective, less the interests in those assets held by third parties (non-controlling interests). These gains or losses are amortized over a five-year period, thereby moderating the effect of market volatility. The values of the Employee Benefit Plans obligations are determined through an actuarial valuation using the going concern basis, rather than the market basis.

As at June 30, 2018, the Sufficiency Ratio, as defined in *Ontario Regulation 141/12* and amended by *Ontario Regulation 338/13* (collectively, the "Ontario Regulations"), was 102.0% (December 31, 2017 – 95.8%). Set forth below is the reconciliation of the net assets (unfunded liability) ("UFL") between the IFRS basis and Sufficiency Ratio basis:

(millions of Canadian dollars)	**Jun. 30 2018**	**Dec. 31 2017**
Net assets (UFL) attributable to WSIB stakeholders on an IFRS basis	**1,000**	**(710)**
Add/(Less): Adjustments per Ontario Regulations:		
Change in valuation of invested assets	(1,269)	(1,720)
Change in valuation of employee benefit plans liability	814	925
Change in valuation of invested assets attributable to non-controlling interests	108	156
Net assets (UFL) attributable to WSIB stakeholders on a Sufficiency Ratio basis	**653**	**(1,349)**
Sufficiency Ratio	**102.0%**	**95.8%**

Net Assets (UFL) on Sufficiency Ratio basis and Sufficiency Ratios

(millions of Canadian dollars)



*Legislated required Sufficiency Ratio at end of year

5. Internal control over financial reporting

Management is responsible for the accuracy, integrity and objectivity of the unaudited condensed interim consolidated financial statements within reasonable limits of materiality. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with IFRS. Management is also responsible for the preparation and presentation of additional financial information included in the annual report and ensuring its consistency with the unaudited condensed interim consolidated financial statements.

6. Changes in accounting standards

a. Standards and amendments adopted during the year

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

The WSIB adopted IFRS 15 effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for items such as financial instruments, insurance contracts, and leases. The impact of IFRS 15 is limited to the WSIB's revenue from the services provided to Schedule 2 employers and one-time gains on disposal of investment properties and property and equipment. Based on the nature of the WSIB's revenues, IFRS 15 did not have a material impact on the WSIB's unaudited condensed interim consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22")

The WSIB adopted IFRIC 22 effective for annual periods beginning on or after January 1, 2018. IFRIC 22 clarifies the accounting for transactions when an entity recognizes a non-monetary asset or liability arising from an advance payment that is received or paid in a foreign currency, prior to recognition of the underlying transaction. IFRIC 22 did not have a material impact on the WSIB's unaudited condensed interim consolidated financial statements.

Annual Improvements to IFRSs 2014–2016 Cycle

In December 2016, the International Accounting Standards Board ("IASB") issued *Annual Improvements to IFRSs 2014 – 2016 Cycle*, which includes a minor amendment to IAS 28 *Investments in Associates and Joint Ventures* effective January 1, 2018. The adoption of this amendment did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 40 *Investment Property* ("IAS 40")

The WSIB adopted the amendments to IAS 40 effective for annual periods beginning on or after January 1, 2018. The amendments clarify that an entity shall transfer property to, or from, an investment property when, and only when, there is evidence of a change in use. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

b. Future changes in accounting standards

The following amended accounting standard has been issued by the IASB and is not yet effective.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19 which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The WSIB is currently assessing the impact the adoption of these amendments will have on the unaudited condensed interim consolidated financial statements.

7. Outlook

Premiums

Premium revenues are anticipated to increase in 2018 reflecting a strong growth in insurable earnings and lower net payouts for mandatory employer incentive programs. The increase in insurable earnings is driven by an assumed 2.0% employment growth and a 2.3% increase in average wages which is expected to more than offset the 3.3% reduction to the average premium rate.

Net investment income

Net investment income is planned to represent a 4.0% net return on investments, lower than our long-term investment return objective of 4.75%. We will continue to implement our Strategic Investment Plan in a way that permits us to take advantage of investment opportunities without exposing us to a higher level of volatility and corresponding investment risk.

Claim payments

Increasing claim registrations and higher allowance rates have resulted in higher than expected increase in loss of earnings payments leading to an increased outlook on overall claim payments. We caution readers that claim payments may rise in part due to new types of compensable claims.

Administration and other expenses

Administration and other expenses are anticipated to increase in 2018 reflecting increases to information technology costs, increases to the pension liability and higher salary expenses.

Legislated obligations and funding commitments

Legislated obligations and funding commitments are anticipated to increase reflecting higher safety program rebates.

Net assets

We anticipate the net assets position will continue to increase, based on current funding and benefit levels and employer contributions, as measured under current accounting and actuarial standards.

8. Non-IFRS financial measure

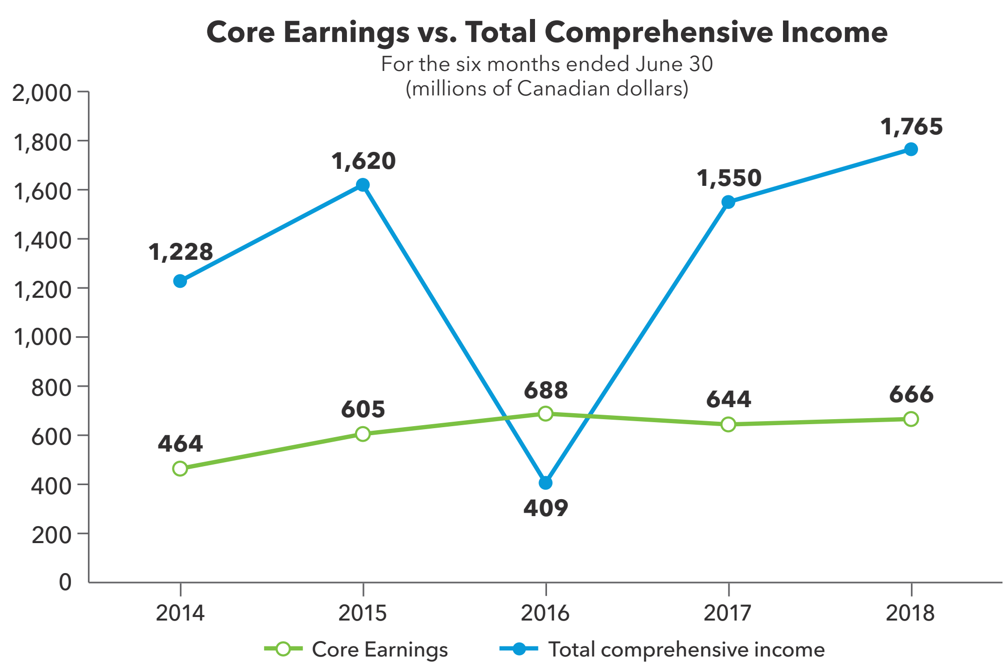
Core Earnings

The WSIB utilizes "Core Earnings", a non-IFRS financial measure, to help stakeholders better understand our underlying operating performance. This measure is relevant to our operations management and offers a consistent methodology in evaluating our underlying performance. Core Earnings is defined as total comprehensive income, excluding the impacts of investment related items, changes in actuarial valuations and any items that are considered as material and exceptional in nature. This measure does not have any standard meaning prescribed by IFRS and is not necessarily comparable to similarly titled measures of other organizations.

Set forth below is the reconciliation of Core Earnings and total comprehensive income, the most directly comparable financial measure calculated and presented consistent with IFRS:

	Three months ended June 30		Six months ended June 30	
(millions of Canadian dollars)	**2018**	**2017[1]**	**2018**	**2017[1]**
Total comprehensive income for the period	**1,372**	**593**	**1,765**	**1,550**
Add/(Less): Net investment loss (income)	(480)	(403)	(494)	(1,297)
Add/(Less): Translation losses (gains) from net foreign investments	3	11	(48)	9
Add/(Less): Change in actuarial valuation of benefit liabilities	(414)	(35)	(382)	75
Add/(Less): Change in actuarial valuation of employee benefit plans	(103)	232	(175)	307
Core Earnings	**378**	**398**	**666**	**644**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.



Unaudited condensed interim consolidated financial statements for Q2 2018

Condensed Interim Consolidated Statements of Financial Position
Unaudited (millions of Canadian dollars)

	Note	June 30 2018	December 31 2017
Assets			
Cash and cash equivalents		2,156	2,586
Receivables and other assets	4	1,626	1,387
Public equity securities	6	13,282	13,414
Fixed income securities	6	7,677	6,800
Derivative assets	6	117	342
Investment properties	6	1,393	1,340
Investments in associates and joint ventures		1,775	1,641
Other invested assets	6	8,708	7,910
Property, equipment and intangible assets		292	302
Total assets		**37,026**	**35,722**
Liabilities			
Payables and other liabilities	7	1,213	1,185
Derivative liabilities	6	110	88
Long-term debt		115	115
Loss of Retirement Income Fund liability		1,929	1,915
Employee benefit plans liability	8	1,479	1,611
Benefit liabilities	10	27,908	28,290
Total liabilities		**32,754**	**33,204**
Net assets			
Reserves (deficit)		700	(792)
Accumulated other comprehensive income		300	82
Net assets (unfunded liability) attributable to WSIB stakeholders		**1,000**	**(710)**
Non-controlling interests		3,272	3,228
Total net assets		**4,272**	**2,518**
Total liabilities and net assets		**37,026**	**35,722**

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Comprehensive Income
Unaudited (millions of Canadian dollars)

	Note	Three months ended June 30 2018	Three months ended June 30 2017[1]	Six months ended June 30 2018	Six months ended June 30 2017[1]
Revenues					
Premiums	9	1,329	1,320	2,579	2,482
Net mandatory employer incentive programs	9	(24)	(44)	(61)	(88)
Net premiums		**1,305**	**1,276**	**2,518**	**2,394**
Investment income	5	532	446	600	1,385
Investment expenses	5	(52)	(43)	(106)	(88)
Net investment income		**480**	**403**	**494**	**1,297**
Total revenues		**1,785**	**1,679**	**3,012**	**3,691**
Expenses					
Claim payments		622	587	1,241	1,182
Claim administration costs		113	107	225	209
Change in actuarial valuation of benefit liabilities		(414)	(35)	(382)	75
Total claim costs		**321**	**659**	**1,084**	**1,466**
Loss of Retirement Income Fund contributions		15	14	29	28
Administration and other expenses		113	103	223	197
Legislated obligations and funding commitments		64	67	134	134
Total expenses		**513**	**843**	**1,470**	**1,825**
Excess of revenues over expenses		**1,272**	**836**	**1,542**	**1,866**
Other comprehensive income (loss)					
Item that will not be reclassified subsequently to income					
Remeasurements of employee benefit plans	8	103	(232)	175	(307)
Item that will be reclassified subsequently to income					
Translation gains (losses) from net foreign investments		(3)	(11)	48	(9)
Total other comprehensive income (loss)		**100**	**(243)**	**223**	**(316)**
Total comprehensive income		**1,372**	**593**	**1,765**	**1,550**

	Three months ended June 30 2018	Three months ended June 30 2017[1]	Six months ended June 30 2018	Six months ended June 30 2017[1]
Excess of revenues over expenses attributable to:				
WSIB stakeholders	1,224	793	1,492	1,725
Non-controlling interests	48	43	50	141
	1,272	**836**	**1,542**	**1,866**
Total comprehensive income attributable to:				
WSIB stakeholders	1,324	551	1,710	1,410
Non-controlling interests	48	42	55	140
	1,372	**593**	**1,765**	**1,550**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Net Assets
Unaudited (millions of Canadian dollars)

	Note	Three months ended June 30 2018	Three months ended June 30 2017[1]	Six months ended June 30 2018	Six months ended June 30 2017[1]
Reserves (deficit)					
Balance at beginning of period		(524)	(3,377)	(792)	(4,309)
Excess of revenues over expenses		1,224	793	1,492	1,725
Balance at end of period		**700**	**(2,584)**	**700**	**(2,584)**
Accumulated other comprehensive income					
Balance at beginning of period		200	311	82	384
Remeasurements of employee benefit plans	8	103	(232)	175	(307)
Translation gains (losses) from net foreign investments		(3)	(10)	43	(8)
Balance at end of period		**300**	**69**	**300**	**69**
Net assets (unfunded liability) attributable to WSIB stakeholders		**1,000**	**(2,515)**	**1,000**	**(2,515)**
Non-controlling interests					
Balance at beginning of period		3,231	3,068	3,228	2,929
Excess of revenues over expenses		48	43	50	141
Translation gains (losses) from net foreign investments		-	(1)	5	(1)
Change in ownership share in investments		(7)	(35)	(11)	6
Balance at end of period		**3,272**	**3,075**	**3,272**	**3,075**
Total net assets		**4,272**	**560**	**4,272**	**560**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows
Unaudited (millions of Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2018	**2017**[1]	**2018**	**2017**[1]
Operating activities:					
Total comprehensive income		1,372	593	1,765	1,550
Adjustments:					
Amortization of net discount on investments		(6)	(9)	(11)	(10)
Depreciation and amortization of property, equipment and intangible assets		11	7	22	13
Changes in fair value of investments		(290)	(252)	(155)	(1,069)
Changes in fair value of investment properties		(9)	11	(27)	15
Translation (gains) losses from net foreign investments		3	11	(48)	9
Dividend income from public equity securities		(161)	(145)	(264)	(243)
Income from investments in associates and joint ventures		(25)	(17)	(47)	(40)
Interest income		(54)	(44)	(99)	(84)
Interest expense		3	2	5	4
Total comprehensive income after adjustments		**844**	**157**	**1,141**	**145**
Changes in non-cash balances related to operations:					
Receivables and other assets, excluding those related to investing activities		(97)	(132)	(159)	(91)
Payables and other liabilities, excluding those related to investing and financing activities		102	112	21	16
Loss of Retirement Income Fund liability		16	12	14	55
Employee benefit plans liability	8	(77)	247	(132)	335
Benefit liabilities	10	(414)	(35)	(382)	75
Total changes in non-cash balances related to operations		(470)	204	(638)	390
Net cash provided by operating activities		**374**	**361**	**503**	**535**
Investing activities:					
Dividends received from public equity securities, associates and joint ventures		180	163	284	267
Interest received		78	42	99	98
Purchases of property, equipment and intangible assets		(7)	(6)	(12)	(9)
Purchases of investments		(5,290)	(4,624)	(9,548)	(9,333)
Proceeds on sales and maturities of investments		4,786	4,708	8,423	9,352
Net additions to investment properties		(17)	(11)	(27)	(17)
Dispositions (acquisitions) of investments in associates and joint ventures		1	(14)	(120)	(969)
Net cash provided (required) by investing activities		**(269)**	**258**	**(901)**	**(611)**
Financing activities:					
Proceeds on dispositions (acquisitions) of non-controlling interests		12	(8)	21	51
Distributions paid by subsidiaries to non-controlling interests		(19)	(27)	(32)	(45)
Net repayment of debt		(18)	-	(17)	-
Interest paid on debt		(2)	(2)	(4)	(4)
Net cash provided (required) by financing activities		**(27)**	**(37)**	**(32)**	**2**
Net increase (decrease) in cash and cash equivalents		**78**	**582**	**(430)**	**(74)**
Cash and cash equivalents, beginning of period		2,078	1,840	2,586	2,496
Cash and cash equivalents, end of period		**2,156**	**2,422**	**2,156**	**2,422**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

The accompanying notes form an integral part of these unaudited condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2018
Unaudited

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Notes to Condensed Interim Consolidated Financial Statements
June 30, 2018
Unaudited (millions of Canadian dollars)

1. Nature of operations

The Workplace Safety and Insurance Board (the “WSIB”) is a statutory corporation created by an Act of the Ontario Legislature in 1914 and domiciled in the Province of Ontario (the “Province”), Canada. As a board-governed trust agency, in accordance with the Agencies and Appointments Directive, the WSIB is responsible for administering the *Workplace Safety and Insurance Act, 1997* (Ontario) (the “WSIA”), which establishes a no-fault insurance scheme that provides benefits to people who experience workplace injuries or illnesses.

The WSIB promotes workplace health and safety in the Province and provides a workplace compensation system for Ontario based employers and people with work-related injuries or illnesses. The WSIB is funded by employer premiums and does not receive any government funding or assistance. Revenues are also earned from a diversified investment portfolio held to meet future obligations on existing claims.

The WSIB’s registered office is located at 200 Front Street West, Toronto, Ontario, M5V 3J1.

2. Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual information available in the consolidated financial statements and the accompanying notes for the year ended December 31, 2017. These unaudited condensed interim consolidated financial statements have been prepared on a basis consistent with the policies and methods outlined in the notes to the consolidated financial statements for the year ended December 31, 2017.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the WSIB’s Board of Directors on September 19, 2018.

3. Changes in accounting standards

(a) Standards and amendments adopted during the year

IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”)

The WSIB adopted IFRS 15 effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for items such as financial instruments, insurance contracts, and leases. The impact of IFRS 15 is limited to the WSIB’s revenue from the services provided to Schedule 2 employers and one-time gains on disposal of investment properties and property and equipment. Based on the nature of the WSIB’s revenues, IFRS 15 did not have a material impact on the WSIB’s unaudited condensed interim consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”)

The WSIB adopted IFRIC 22 effective for annual periods beginning on or after January 1, 2018. IFRIC 22 clarifies the accounting for transactions when an entity recognizes a non-monetary asset or liability arising from an advance payment that is received or paid in a foreign currency, prior to recognition of the underlying transaction. IFRIC 22 did not have a material impact on the WSIB’s unaudited condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2018
Unaudited (millions of Canadian dollars)

Annual Improvements to IFRSs 2014 - 2016 Cycle

In December 2016, the IASB issued *Annual Improvements to IFRSs 2014 – 2016 Cycle*, which includes a minor amendment to IAS 28 *Investments in Associates and Joint Ventures* effective January 1, 2018. The adoption of this amendment did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

Amendments to IAS 40 *Investment Property* ("IAS 40")

The WSIB adopted the amendments to IAS 40 effective for annual periods beginning on or after January 1, 2018. The amendments clarify that an entity shall transfer property to, or from, an investment property when, and only when, there is evidence of a change in use. The adoption of these amendments did not have a significant impact on the WSIB's unaudited condensed interim consolidated financial statements.

(b) Future changes in accounting standards

The following amended accounting standard has been issued by the IASB and is not yet effective.

Amendments to IAS 19 *Employee Benefits* ("IAS 19")

In February 2018, the IASB issued amendments to IAS 19 which require entities to use updated assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The amendments are effective for annual periods beginning on or after January 1, 2019. The WSIB is currently assessing the impact the adoption of these amendments will have on the unaudited condensed interim consolidated financial statements.

4. Receivables and other assets

Receivables and other assets are comprised of the following:

	June 30 2018	**December 31 2017**
Premium receivables	274	298
Accrued premium receivables	543	493
Less: Allowance for doubtful accounts	(126)	(118)
Net premium receivables	**691**	**673**
Investment receivables	324	244
Total receivables	**1,015**	**917**
Other assets[1]	611	470
Total receivables and other assets	**1,626**	**1,387**

1. Other assets include employer incentive program surcharges of $544 (December 31, 2017 – $416) which are expected to be received over a period of more than one year.

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2018
Unaudited (millions of Canadian dollars)

5. Net investment income

Net investment income by nature of invested assets for the three months and six months ended June 30 is as follows:

	Three months ended June 30		**Six months ended June 30**	
	2018	**2017[1]**	**2018**	**2017[1]**
Cash and cash equivalents	4	3	6	4
Public equity securities	369	212	623	887
Fixed income securities	32	13	77	70
Derivative financial instruments	(109)	204	(627)	278
Investment properties	22	2	54	12
Investments in associates and joint ventures	25	17	47	40
Other invested assets				
Investment funds	219	6	451	139
Infrastructure related investments	(3)	10	(3)	17
Real estate related investments	(1)	2	2	11
Less: Income attributable to Loss of Retirement Income Fund	(26)	(23)	(30)	(73)
Investment income	**532**	**446**	**600**	**1,385**
Less: Investment expenses[2]	(52)	(43)	(106)	(88)
Net investment income	**480**	**403**	**494**	**1,297**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.
2. Includes $27 and $64 of management fees paid to investment managers for the three months and six months ended June 30, 2018, respectively (2017 – $25 and $59).

Notes to Condensed Interim Consolidated Financial Statements
June 30, 2018
Unaudited (millions of Canadian dollars)

6. Fair value measurement and disclosures

Fair value hierarchy

The WSIB uses a fair value hierarchy to categorize the inputs used in valuation techniques to estimate the fair values of assets and liabilities.

The table below provides a general description of the valuation methods used for fair value measurements.

Hierarchy level	Valuation methods
Level 1	Fair value is based on unadjusted quoted market prices in active markets for identical assets or liabilities that the WSIB has the ability to access at the measurement date.
Level 2	Fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs to models that are either observable or can be corroborated by observable market data for the assets or liabilities.
Level 3	Fair value is measured using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using information, some or all of which are not market observable, as well as assumptions about risk.

Measurements of the fair value of an asset or liability may use multiple inputs that are categorized in different levels of the fair value hierarchy. In these cases, the asset or liability is classified in the hierarchy level of the lowest level input that is significant to the measurement.

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The following table provides the fair value hierarchy classifications for assets and liabilities:

	June 30, 2018				December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value								
Cash and cash equivalents[1]	534	1,622	-	**2,156**	850	1,736	-	**2,586**
Public equity securities	13,160	122	-	**13,282**	13,305	109	-	**13,414**
Fixed income securities	-	7,677	-	**7,677**	-	6,800	-	**6,800**
Derivative assets	42	75	-	**117**	46	296	-	**342**
Investment properties	-	-	1,393	**1,393**	-	-	1,340	**1,340**
Other invested assets								
Investment funds	-	-	7,503	**7,503**	-	-	6,714	**6,714**
Infrastructure related investments	-	-	745	**745**	-	341	399	**740**
Real estate related investments	-	-	460	**460**	-	-	456	**456**
Derivative liabilities	(59)	(51)	-	**(110)**	(41)	(47)	-	**(88)**
Assets and liabilities for which fair value is disclosed								
Investment receivables[1]	-	324	-	**324**	-	244	-	**244**
Administration payables[1]	(316)	-	-	**(316)**	(304)	-	-	**(304)**
Investment payables[1]	-	(67)	-	**(67)**	-	(42)	-	**(42)**
Long-term debt[2]	-	(122)	-	**(122)**	-	(123)	-	**(123)**
Loss of Retirement Income Fund liability	(2)	(345)	(1,582)	**(1,929)**	(283)	(49)	(1,583)	**(1,915)**

1. Due to their short-term nature, the carrying amounts of cash and cash equivalents, investment receivables, and administration and investment payables approximate their fair values.
2. Carrying amount as at June 30, 2018 was $115 (December 31, 2017 – $115).

Transfers between levels within the hierarchy are recognized at the end of the reporting period.

During the three months and six months ended June 30, 2018 and June 30, 2017, there were no transfers between Level 1 and Level 2.

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Level 3 fair value measurements

The following tables provide reconciliations of assets included in Level 3 of the fair value hierarchy:

For the three months ended June 30, 2018	**Other invested assets** Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at April 1, 2018	7,115	761	459	8,335	1,368	9,703
Net gains (losses) recognized in net investment income	177	3	(2)	178	9	187
Translation gains (losses) recognized in other comprehensive income	15	(19)	-	(4)	-	(4)
Purchases and additions	220	-	3	223	-	223
Sales or disposals	(24)	-	-	(24)	-	(24)
Capital expenditures	-	-	-	-	16	16
Balance as at June 30, 2018	**7,503**	**745**	**460**	**8,708**	**1,393**	**10,101**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**189**	**(16)**	**(2)**	**171**	**9**	**180**

For the six months ended June 30, 2018	**Other invested assets** Investment funds	Infrastructure related investments	Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2018	6,714	399	456	7,569	1,340	8,909
Net gains (losses) recognized in net investment income	396	(27)	1	370	27	397
Translation gains recognized in other comprehensive income	35	12	-	47	-	47
Purchases and additions	513	-	3	516	-	516
Sales or disposals	(155)	-	-	(155)	-	(155)
Capital expenditures	-	-	-	-	26	26
Transfers into Level 3	-	361	-	361	-	361
Balance as at June 30, 2018	**7,503**	**745**	**460**	**8,708**	**1,393**	**10,101**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**421**	**(14)**	**1**	**408**	**27**	**435**

During the three months ended June 30, 2018, there were no transfers between Level 2 and Level 3.

During the six months ended June 30, 2018, infrastructure related investments with a carrying amount of $361 were transferred from Level 2 to Level 3 because the inputs used in their valuations are now based on unobservable inputs, versus the previous period.

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For the three months ended June 30, 2017[1]	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at April 1, 2017	6,034	383	414	6,831	1,317	8,148
Net gains (losses) recognized in net investment income	(104)	4	1	(99)	(11)	(110)
Translation gains (losses) recognized in other comprehensive income	(19)	7	-	(12)	-	(12)
Purchases and additions	534	-	-	534	-	534
Sales or disposals	(224)	-	-	(224)	-	(224)
Capital expenditures	-	-	-	-	10	10
Balance as at June 30, 2017	**6,221**	**394**	**415**	**7,030**	**1,316**	**8,346**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(336)**	**12**	**1**	**(323)**	**(11)**	**(334)**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

For the six months ended June 30, 2017[1]	Other invested assets: Investment funds	Other invested assets: Infrastructure related investments	Other invested assets: Real estate related investments	**Subtotal**	**Investment properties**	**Total**
Balance as at January 1, 2017	5,802	342	409	6,553	1,315	7,868
Net gains (losses) recognized in net investment income	12	11	6	29	(15)	14
Translation gains (losses) recognized in other comprehensive income	(18)	9	-	(9)	-	(9)
Purchases and additions	813	32	-	845	-	845
Sales or disposals	(388)	-	-	(388)	-	(388)
Capital expenditures	-	-	-	-	16	16
Balance as at June 30, 2017	**6,221**	**394**	**415**	**7,030**	**1,316**	**8,346**
Changes in unrealized gains (losses) included in earnings for assets and liabilities for positions still held	**(314)**	**20**	**6**	**(288)**	**(15)**	**(303)**

1. Certain comparative amounts have been reclassified to be consistent with the current period's presentation.

During the three months and six months ended June 30, 2017, there were no transfers between Level 2 and Level 3.

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The following table summarizes the valuation methods and quantitative information about the significant unobservable inputs used in Level 3 assets and liabilities:

			June 30, 2018		December 31, 2017	
	Valuation methods	Key unobservable inputs	Range of inputs Low	High	Range of inputs Low	High
Investment funds	Net asset value	Net asset value	n/a	n/a	n/a	n/a
Infrastructure related investments	Discounted cash flow and market comparable	Discount rate and expected future cash flows	n/a	n/a	n/a	n/a
Real estate related investments and investment properties	Discounted cash flow and market comparable	Discount rate	5.0%	7.8%	5.0%	8.0%
		Terminal capitalization rate	4.3%	7.0%	4.3%	7.0%
Loss of Retirement Income Fund liability	Net asset value	Net asset value	n/a	n/a	n/a	n/a

Sensitivity of Level 3 assets and liabilities

Fair values of investment funds are based on net asset values provided by investment managers.

Fair values of infrastructure related investments are based on valuations obtained from investment managers. The WSIB assesses the reasonableness of these fair values based on periodic appraisals performed by independent qualified appraisers. The valuations of infrastructure related investments obtained from investment managers are based on comparable transactions in the market and discounted cash flow models using unobservable inputs such as discount rates, terminal values and expected future cash flows. Holding other factors constant, an increase to terminal values or expected future cash flows would tend to increase the fair value, while an increase in the discount rate would have the opposite effect.

Fair values of real estate related investments and investment properties are obtained from qualified appraisers who apply a discounted cash flow model to determine property values. Key unobservable inputs include discount and terminal capitalization rates, projected rental income and expenses, inflation rates and vacancy rates. Holding other factors constant, an increase to projected rental income would increase the fair values, while an increase in the inputs for the discount rates and terminal capitalization rates would have the opposite effect.

Fair values of the Loss of Retirement Income Fund liability are based on the fair values of the assets in the Loss of Retirement Income Fund.

The WSIB has not applied another reasonably possible alternative assumption to the significant Level 3 categories as the net asset values and appraised fair values are provided by the investment managers and other third party appraisers.

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7. Payables and other liabilities

	June 30 2018	December 31 2017
Administration payables	316	304
Investment payables	67	42
Other liabilities	830	839
Total payables and other liabilities	**1,213**	**1,185**

Payables are expected to be paid within 12 months from the reporting date. As at June 30, 2018, other liabilities include experience rating refunds of $795 (December 31, 2017 – $810), which are expected to be paid over five years.

8. Employee benefit plans

Employee benefit plans expense

The cost of the employee benefit plans recognized in administration and other expenses for the three months and six months ended June 30 is as follows:

	Pension plans		Other benefits		Total	
For the three months ended June 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current service cost	28	23	5	5	33	28
Net interest on the employee benefit plans liability	7	6	7	7	14	13
Employee benefit plans expense	**35**	**29**	**12**	**12**	**47**	**41**

	Pension plans		Other benefits		Total	
For the six months ended June 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current service cost	56	45	10	10	66	55
Net interest on the employee benefit plans liability	15	12	14	14	29	26
Long-term employee benefit losses	-	-	1	1	1	1
Employee benefit plans expense	**71**	**57**	**25**	**25**	**96**	**82**

Amounts recognized in other comprehensive income (loss) for the three months and six months ended June 30 are as follows:

	Pension plans		Other benefits		Total	
For the three months ended June 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Actuarial gains (losses) arising from:						
Financial assumptions	66	(198)	9	(50)	75	(248)
Plan experience	(1)	-	5	-	4	-
Return on plan assets excluding interest income	24	16	-	-	24	16
Remeasurements of employee benefit plans	**89**	**(182)**	**14**	**(50)**	**103**	**(232)**

	Pension plans		Other benefits		Total	
For the six months ended June 30	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Actuarial gains (losses) arising from:						
Financial assumptions	132	(322)	31	(71)	163	(393)
Plan experience	-	1	4	(1)	4	-
Return on plan assets excluding interest income	8	86	-	-	8	86
Remeasurements of employee benefit plans	**140**	**(235)**	**35**	**(72)**	**175**	**(307)**

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Employee benefit plans liability

The employee benefit plans liability is comprised of the following:

	Pension plans		Other benefits		Total	
	Jun. 30 2018	Dec. 31 2017	Jun. 30 2018	Dec. 31 2017	Jun. 30 2018	Dec. 31 2017
Present value of obligations[1]	3,973	4,029	795	819	4,768	4,848
Fair value of plan assets	(3,289)	(3,237)	-	-	(3,289)	(3,237)
Employee benefit plans liability	**684**	**792**	**795**	**819**	**1,479**	**1,611**

1. The WSIB's pension plans are wholly or partly funded whereas the WSIB's other benefits are wholly unfunded.

9. Premium revenues

A summary of premiums for the three months and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Gross Schedule 1 premiums	1,296	1,287	2,520	2,419
Bad debts	(14)	(10)	(27)	(17)
Interest and penalties	21	19	36	33
Other income	1	-	2	-
Schedule 1 employer premiums	**1,304**	**1,296**	**2,531**	**2,435**
Schedule 2 employer administration fees	25	24	48	47
Premiums	**1,329**	**1,320**	**2,579**	**2,482**
Net mandatory employer incentive programs	(24)	(44)	(61)	(88)
Net premiums	**1,305**	**1,276**	**2,518**	**2,394**

10. Benefit liabilities

Benefit liabilities are comprised of the following:

	June 30 2018	December 31 2017
Loss of earnings	8,843	9,037
Workers' pensions	5,982	6,124
Health care	4,254	4,285
Survivor benefits	3,042	3,015
Future economic loss	1,056	1,120
External providers	105	106
Non-economic loss	283	289
Long latency occupational diseases	2,526	2,492
Claim administration costs	1,268	1,257
Loss of Retirement Income	549	565
Benefit liabilities	**27,908**	**28,290**

On December 14, 2017, passage of Bill 177 titled *Stronger, Fairer Ontario Act (Budget Measures), 2017* amended section 13 of the *Workplace Safety and Insurance Act,1997* (Ontario) to provide Chronic Mental Stress ("CMS") benefits for diagnoses on or after April 29, 2014. The legislated retroactive claims deadline was June 30, 2018. Because retroactive claims submitted and accepted, up to this date, were significantly lower than expected, WSIB no longer holds a liability in respect of CMS claims for prior injury years. A one-time experience gain of $540 is thus recognized at June 30, 2018.

Unaudited (millions of Canadian dollars)

11. Commitments and contingent liabilities

(a) Investment commitments

The WSIB had the following commitments for capital calls related to its investment portfolio:

	June 30 2018	December 31 2017
Investment funds, infrastructure and real estate related investments	2,010	2,142
Investments in associates and joint ventures	88	88
Purchases or development of investment properties	59	48
Total investment commitments	**2,157**	**2,278**

There was no specific timing requirement to fulfill these commitments during the investment period.

(b) Legislated obligations and funding commitments

Known commitments related to legislated obligations and funding commitments as at June 30, 2018 were approximately $270 for the period from July 1, 2018 to June 30, 2019.

(c) Legal actions

The WSIB is engaged in various legal proceedings and claims that have arisen in the ordinary course of business, the outcome of which is subject to future resolution. Based on information currently known to the WSIB, management believes the probable ultimate resolution of all existing legal proceedings and claims will not have a material effect on the WSIB's financial position.

12. Related party transactions

The WSIB's related parties include the Government of Ontario and related entities, key management personnel, subsidiaries, associates, joint ventures, and post-retirement benefit plans for the WSIB's employees. The transactions are in the ordinary course of business and at arm's length.

Government of Ontario and related entities

The WSIB is a board-governed trust agency under the Agencies and Appointments Directive, responsible for administering the WSIA. As such, the WSIB is considered a government-related entity and is provided partial exemptions under IFRS from its disclosure of transactions with the Government of Ontario and various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

The WSIB is required to make payments to defray the cost of administering the *Occupational Health and Safety Act* (the "OHSA") and the regulations made under the OHSA. The WSIB is also required to pay for the operating costs of the Workplace Safety and Insurance Appeals Tribunal and the costs that may be incurred by the Office of the Worker Adviser and the Office of the Employer Adviser. The WSIB also provides various grants and funding to carry on investigations, research and training. The total of this funding for the three months and six months ended June 30, 2018 was $63 and $132, respectively (2017 – $63 and $125), and is included in legislated obligations and funding commitments expenses.

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In addition to the above, the unaudited condensed interim consolidated financial statements include amounts resulting from transactions conducted in the normal course of operations with various ministries, agencies, and Crown corporations over which the Government of Ontario has control.

Included in investments as at June 30, 2018 are $1,379 of marketable fixed income securities issued by the Government of Ontario and related entities (December 31, 2017 – $1,171).

Reimbursements paid to the Ministry of Health and Long-Term Care ("MOHLTC") for physicians' fees for services to people with work-related injuries or illnesses are included in claim payments. Administrative fees paid to the MOHLTC are included in administration and other expenses.

Investment Management Corporation of Ontario ("IMCO")

In 2016, the WSIB was named in *Ontario Regulation 251/16* as one of the initial members of IMCO. Created by the Ontario Government and enacted by legislation, IMCO is a new entity that will provide investment management and advisory services to participating organizations in Ontario's public sector.

On July 27, 2016, IMCO entered into a Funding Agreement with the WSIB, which was amended on September 30, 2016, to fund IMCO's operations during the start-up period as defined in the Funding Agreement. The Funding Agreement sets out the basis on which monies could be advanced by the WSIB to IMCO through promissory notes during the start-up period. The promissory notes bore interest at prime rate plus 2%, calculated daily. The promissory note payable to the WSIB totaled $4.3 and was repaid in full as at June 30, 2017.

On July 24, 2017, IMCO officially began managing the WSIB's invested assets and subsequent to IMCO becoming operational, the WSIB's share of IMCO's operating expenses are paid by the WSIB on a cost recovery basis.

External investment manager and custodial fees, previously paid directly by the WSIB, are now paid by IMCO on the WSIB's behalf.

Employee benefit plans

The WSIB's defined benefit pension plans and the other benefit plans are considered related parties. Note 8 provides details of transactions with these employee benefit plans.

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